

have absorbed so man}⁷ millions of English, French, and American money.

It was predicted, when the regulation of note issues was applied to the Scotch banks in 1845, that the result would be the reduction of the interest paid on deposits, and this prediction has been verified by events. A part of this reduction has undoubtedly been due to the accumulation of capital and the fall in its price in the money markets of the world, but a part is due to the increased cost of banking" under the Act of 1845, A radical departure was taken from the old methods of Scotch banking, when the banks by a circular of October i, 1892, gave notice that after that date the allowance of interest on creditor balances of current accounts would be discontinued.¹ No distinction was made in regard to the rate of interest, at the time of the Act of 1845 ^{anc*} for some years after, between deposit accounts and credit balances of current accounts. The rate allowed was the same on the two classes of accounts and seldom fell so low as two per cent. The rate in force on deposits for several years was one and a half per cent, and this was reduced in January, 1895, to one per cent. These low rates have destroyed much of the motive for depositing idle capital in the banks, and have driven the Scotch people to send their money to Australia and seek other and less secure investments than those which they formerly obtained at home by simply depositing their surplus in their current accounts with the banks.

V. The fifth great advantage of the Scotch banking system, that it has afforded an opportunity for entering upon business to thousands of poor but honest young men, is due chiefly to the system of cash credits. The Royal Bank found, soon after its organization, that it had more capital than it could employ in ordinary commercial operations on bills of exchange within the narrow circle of Scotch commerce. The result was the adoption of the system of cash credits for the promotion of agriculture and industry. The system consists in giving an open credit, or drawing account, to a customer who is vouched for by two or more trustworthy

¹ London *Bankers' Magazine* ^ April, 1893, LV., 577.